



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

April 15, 2008

The Honorable Charles E. Schumer
Chairman, Joint Economic Committee
United States Senate
Washington D.C. 20510

Dear Senator Schumer:

Thank you for your letter of March 19, 2008, regarding the Joint Economic Committee report that estimated the full economic costs of the war in Iraq. I have been asked to respond on the President's behalf.

The Congress – on a bipartisan basis – has provided \$650 billion in war funding since 2001. Fighting terrorism and taking care of our veterans is not inexpensive – we acknowledge that. However, the economy also benefits when terrorist attacks are prevented, and we doubt any critics of the level of spending take that into account. The cost of failing to preserve, protect, and defend our Nation is without measure. There is no price tag that can be put on the immeasurable value of preventing terrorist attacks or on the lives of innocent American men, women and children that are saved as a consequence.

Some in Washington argue that the war costs too much money. There is no doubt that the costs of the war have been high. But during other major conflicts in our history, the relative cost has been even higher. During World War II, our defense budget rose as high as 38% of our GDP and during the Cold War our defense budget averaged 7.5% of GDP. In contrast, today our defense budget accounts for just over 4% of GDP. This is still a large amount of money, but it is a modest fraction of our Nation's wealth – and it pales when compared to the cost of another terrorist attack on our people.

Even with the Iraq war, the deficit has been low by historic standards as a percent of GDP. For FY 2007, the deficit as a percent of GDP was 1.2 percent—below the 2.4 percent average of the past 40 years. The deficit is projected to rise this year, but a significant portion of that increase can be attributed to the economic growth package.

If Congress is committed to reducing the deficit, lawmakers should begin focusing on the unsustainable growth in entitlement programs. Entitlement spending was 10.6% of GDP in 2007 compared to an average of 8.9% of GDP for the last 45 years.

Thank you for taking the time to express your concerns on this matter. I encourage Congress to focus on the most pressing priority for the War on Terror – sending the President a clean war funding bill to ensure our men and women in uniform have the resources they need to do their jobs.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is stylized with a large, looping initial "J" and a long, sweeping underline that extends to the left.

Jim Nussle
Director

Identical Letter Sent to The Honorable Carolyn B. Maloney